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Tarrant County, Texas

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Suzanne Henderson
Suzanne Henderson

GAS LEASE
(Paid Up Lease)

Submitter: SIMPLIFILE

6 Pages

This Oil and Gas Lease (this "Lease") is made on June 6th, 2008 between Leta Maye Carpenter (hereafter called "Lessor"), whose address is 2106 Franklin Dr. Arlington, Texas 76011, and Marsh Operating Company, whose address is 300 Crescent Court, Dallas, Texas 75201 (hereafter called "Lessee").

1. Grant. In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the land described in attached Exhibit "A" (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas, and to produce, save and transport oil and gas and other products manufactured from oil and gas produced from the Land, but only as to depths from the surface down to one hundred (100) feet below the base of the Barnett Shale formation. This lease also covers and includes any interest which Lessor may own in any street, alley, highway, railroad, canal, river, body of water, contiguous or adjacent to the Land, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

2. Primary Term. This Lease is for a term of thirty six (36) months from the date first written above (called "Primary Term"), and so long thereafter as oil or gas is produced from the Land in paying quantities. However, notwithstanding the 36 month Primary Term, it is hereby agreed that, on or before the expiration of the eighteenth (18th) month from the same day this Lease is executed by Lessor, Lessee must file an Application under the "Gas Drilling and Production" ("Ordinance") Chapter of the Code of the City of Arlington ("City") seeking a Gas Well Permit to be issued from the City to drill one or more wells upon lands that will be pooled with the Land, otherwise this Lease shall expire. Further, Lessee must diligently pursue the permit process, but if Lessee's permit Application is ultimately denied by the City, Lessee shall have the right to file any appeals to the City Council that is permitted or required under applicable law and to challenge the City's denial of the permit through the court system, and so long as Lessee is pursuing the permit process and has not received a final non-appealable decision denying the permit, this Lease shall continue in effect for the duration of the 36 month Primary Term. If, however, Lessee is not successful in obtaining the permit and a final non-appealable decision denying the permit is issued, then, and in that event, this Lease shall expire and be of no further force or effect. However, notwithstanding anything contained in this Lease to the contrary, in no event shall the permit Application process, or any appeals or challenges thereof or litigation related thereto, extend the 36 month Primary Term.

3. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore and other substances produced from oil or gas wells.

4. Royalty.

(a) As royalties, Lessee agrees:

(1) To pay to Lessor, on oil and other liquid hydrocarbons produced and saved from the Land, 25% (the "Royalty Fraction") of the market value at the point of sale of such oil, or at Lessor's option, which may be exercised from time to time, the Royalty Fraction of all oil and other liquid hydrocarbons produced and saved from the Land shall be delivered free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected.

(2) To pay to Lessor:

(i) 25% of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Land, the same to be delivered at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected.

(ii) 25% of the gross proceeds received by Lessee at the point of delivery or first sale of all gas, including casinghead gas or other gaseous substances, produced from the Land.

(iii) 25% of the gross proceeds of all plant products (including residue gas), free of any processing cost, where gas is processed in a plant on or off the Land by Lessee or any affiliated person or entity, and if processed, but not by Lessee or an affiliated person or entity, 25% of that part of the gross proceeds received by Lessee for the processed gas and products therefrom that are allocable to the production from the Land.

(iv) On gas produced from the Land and sold by Lessee or used off the Land and to which the preceding subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use or other disposition.

(v) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(vi) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the gross proceeds at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

(c) It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. Further, in no event shall Lessor receive a price that is less than the price received by Lessee from an arms-length contract with a purchaser that is not an affiliate of Lessee. It is the specific intent of the parties to this Lease that this provision is to be treated as enforceable as written and is not to be deemed "surplusage" under the principals set forth in *Heritage Resources, Inc. v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996).

(d) If gas produced from the Land or lands pooled herewith is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

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(e) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if no gas is subsequently produced, Lessor will receive one (1) Royalty Fraction of the market value of the volume of gas for which payment has not already been made.

(f) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute.

(g) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(h) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

5. **Shut-in Royalty.** While there is a gas well on this Lease or on lands pooled with the Land capable of producing in paying quantities, but gas is not being sold, at the end of the Primary Term or any time thereafter, Lessee shall pay or tender in advance an annual shut-in royalty of \$100 per net mineral acre. Payment with respect to a well will be due within 90 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to two consecutive years or three years in the aggregate. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. However, before a lease termination results from such nonpayment, Lessee shall have ten (10) days after receipt of a termination notice from Lessor to tender such payment and cure a shut-in defect. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the last known address for the parties entitled thereto on or before the due date.

6. Continuous Development.

(i) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land or lands pooled herewith, and this lease is not held by other provisions contained herein, but Lessee has commenced the drilling of a well on the Land or lands pooled herewith, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 90 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in the endeavor to obtain production of oil or gas.

(j) If this Lease is maintained beyond the expiration of the Primary Term by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than 90 days between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than 90 consecutive days. A well will be deemed to have been completed on the date of the release of the drilling rig from the drillsite and any completion operations cease. The permitted time between wells shall be cumulative so that if a well is commenced prior to the date it is required to be commenced, the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well.

(c) Lessee shall drill as many horizontal wells from each drill site as is the greater in density (i.e. the greater number of wells) of (i) that which is reasonably practicable in accordance with good oilfield practices and taking into account all geological and geophysical information known to Lessee, and/or (ii) one well per 80 acres in the pooled unit. Each drill site should be located in such a manner as to facilitate the drilling of as many wells as possible from such drill site in order to minimize the number of drillsites on lands pooled herewith.

7. **Pooling.** Lessee shall have the right but not the obligation to pool all or any part of the Land or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the Land, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority; however, written consent of Lessor shall be first obtained before Lessee expands or contracts a pooled unit that includes the Land. Further, in making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the Land is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

The pooled unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes the Land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the pooled unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit that the number of mineral acres of the Land included in the unit bears to the total number of mineral acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. No part of the Land may be included in a pooled unit unless all of the Land is included in said pooled unit.

8. **Offset Wells.** For purposes of this Lease, an "offsetting well" is a well that is producing oil or gas from adjacent or nearby land not pooled with the land and is draining the Land. If an offsetting well is completed and the Land is in a unit with ongoing operations or production, Lessee must, within 120 days after determining that a reasonably prudent operator under similar circumstances would drill an offsetting well, commence operations for the drilling of an offset well on lands pooled herewith and must diligently pursue those operations to the horizon in which the offsetting well is producing. A well producing from closer than 330 feet of the Land or lands pooled herewith will be conclusively presumed to be draining the Land.

9. **NO SURFACE OPERATIONS.** NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, LESSEE HEREBY WAIVES AND RELEASES ALL SURFACE RIGHTS OF EVERY KIND AND NATURE (OTHER THAN THE RIGHT TO TEMPORARILY PLACE GEOPHONES OR SIMILAR RECEPTION DEVICES FOR DETECTING SEISMIC READINGS) ACQUIRED UNDER THIS LEASE, IF ANY. ACCORDINGLY, EXCEPT FOR TEMPORARY SEISMIC RECEPTION DEVICES, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LAND, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE SURFACE OF THE LAND, OR (III) ENTER UPON THE SURFACE OF THE LAND FOR ANY REASON; PROVIDED; HOWEVER, THAT THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LAND OR ENGAGE IN DIRECTIONAL OR HORIZONTAL DRILLING ACTIVITY WHICH OCCURS UNDER THE SURFACE OF THE LAND AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, AS LONG AS SAID DRILLING ACTIVITY IS AT A DEPTH SO AS TO NOT INTERFERE WITH OR IN ANY WAY EFFECT THE PRESENT OR FUTURE USE OF THE SURFACE OF THE LAND FOR COMMERCIAL OR RESIDENTIAL USE, AND IN NO EVENT MAY THE MINING OR DRILLING ACTIVITY PENETRATE THE LAND AT A DEPTH OF LESS THAN 1,000 FEET BELOW THE SURFACE. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LAND, BUT IN NO EVENT SHALL LESSEE DRILL A WELL AT A SURFACE LOCATION THAT IS WITHIN 600 FEET OF THE LAND, UNLESS LESSEE HAS OBTAINED WRITTEN WAIVERS FROM THE MINERAL OWNERS WITHIN THE 600 FOOT SETBACK.

10. **Assignments.** The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. Lessee shall notify Lessor of any assignment or sublease of operations of this Lease and Lessee's assignees or sublessees of operations in this Lease shall be joint and severally liable for all of Lessee's obligations under this Lease.

11. **Force Majeure.** Should Lessee be wholly prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on lands pooled with the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from lands pooled with the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, strike, insurrection, any federal or state law, or any rule or regulation of governmental authority, pipeline construction delays beyond the reasonable control of lessee, or other similar cause (other than financial reasons), but not Lessee's failure to obtain a necessary permit for its operations from a local, state or federal governing body. This paragraph is, however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

12. **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land or the minerals subject to this Lease. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land and the minerals subject to this Lease, and Lessee assumes all risk of title failures. However, if it becomes necessary for Lessee to defend the leasehold estate against a third party claim, Lessee shall be subrogated to the same rights Lessor would have to defend Lessor's title against a third party claim, and Lessee shall pay and be responsible for all costs/expenses/fees incurred in this regard. If Lessor owns an interest in the Land or the minerals subject to this Lease less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately.

13. **Notices.** All notices will be deemed given and reports will be deemed delivered if personally delivered, if sent by documented overnight delivery service, or if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown above. Either party may designate a new address by written notice to the other party.

14. **Attorney's Fees.** In the event that Lessor or Lessee is required to employ legal counsel for the enforcement of any provision of this Lease and receives a final unappealable judgment, the prevailing party will be entitled to recover from the other party the reasonable attorney's fees and expenses incurred by said party.

15. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain appropriate insurance covering all of its activities and operations hereunder, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include at least coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverages shall be in the minimum amount of \$5,000,000.

16. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, EMPLOYEES, TRUSTEES, VOLUNTEERS, AGENTS, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE, INCLUDING WITHOUT LIMITATION THOSE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RELATED TO LESSEE'S ACTIVITIES AND OPERATIONS ON THE LAND, OR CLAIMS BROUGHT OR ASSERTED BY PERSONS OR ENTITIES IN CONNECTION WITH LESSEE'S OPERATIONS AND ACTIVITIES, OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. ADDITIONALLY, UPON RECEIVING ANY NOTICE REGARDING ANY ENVIRONMENTAL, POLLUTION OR CONTAMINATION PROBLEM OR VIOLATION OF ANY LAW, RULE OR REGULATION, LESSEE WILL FORWARD A COPY OF SAME TO LESSOR BY CERTIFIED MAIL WITHIN THIRTY (30) DAYS. AS USED IN THIS PARAGRAPH, THE TERM "LAND" INCLUDES THE LAND COVERED BY THIS LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

17. **Miscellaneous Provisions.**

(a) In the event this Lease terminates for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, deliver to Lessor a recordable release covering all of the Land or that portion of the Land as to which this Lease terminated.

(b) Nothing in this Lease negates the implied covenants imposed upon Lessee under applicable law.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas, and federal, state and local environmental laws and regulations and municipal ordinances.

(d) The term "production" means production in paying quantities.

(e) Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease.

(f) The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document.

(g) Lessee's operations are being conducted in or near an urban residential area. Therefore, any and all compressors, machinery and drilling equipment used in connection with any well drilled within 1,000 feet of the Land shall be equipped with the latest technology in noise suppression, muffling devices and pollution constraints. Lessee shall not operate or maintain any compressors within 1,000 feet of the Land, except Lessee shall be allowed to operate one temporary gas lifter compressor per well for a period of time of up to 30 days during the drilling or completion process for each well. Lessee shall employ and use a Flex 4 Drilling Rig or other technologically advanced drilling rig on any wells drilled within 1,000 feet of the Land. Further, noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells, and any production therefrom, shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, and the level and nature of development and surface use elsewhere in the vicinity of Lessee's drillsites. Lessee's operations on any well drilled within 1,000 feet of the Land shall not exceed the maximum "db" noise levels permitted under the current City of Arlington Drilling Ordinance. Further, Lessee shall provide a designated representative of Parkway Central Homeowners' Association with 72 hours' written notice of any "fracing" procedure to be performed on any well located within 1,000 feet of the Land.

(h) Jurisdiction and venue for any legal dispute between Lessor and Lessee related in any way to this lease shall be in the court(s) of competent jurisdiction located in Tarrant County, Texas.

(i) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

(j) Upon written request, Lessor and/or Lessor's representatives shall have the right to inspect all lease records and well records of Lessee relating to this Lease, operations conducted on or in connection with the Lease or lands pooled herein, and the sale and marketing of production from the Lease, including contracts for the sale of any production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing. Such inspection shall be limited to an annual basis only and during Lessee's normal business hours.

(k) By entering into this lease, Lessor is expressly not and does not waive or release any rights Lessor has or may have in connection with any application or submission by Lessee for a variance or change in any City of Arlington's ordinances, rules, or regulations. Further, Lessee does not and shall not construe or interpret this lease otherwise.

(l) Lessee for itself and its successors and assigns, hereby waives any right of eminent domain possessed by Lessee or any affiliate of Lessee to acquire any right of way or easement for the transportation of gas, oil or any other substance through, across and/or under the Land.

(m) In the event Lessor does not own all of the minerals underlying the Land, Lessee agrees that it will not drill, conduct operations or participate in drilling or operations on the Land which are not in compliance with the terms and requirements of this Lease, by claiming authority under the lease or leases covering the outstanding mineral interests.

(n) In the event Lessee drills any wells on the Rolling Hills Country Club lands during the primary term of this Lease, Lessee shall place all of the Land in the pooling unit for the initial well drilled on said tract of land.

(o) Subordination Agreement Fees. Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require a subordination, partial release of lien, release of lien, consent or other documentation from any lender of Lessor that has a lien on said land as a condition to Lessor receiving the agreed signing bonus or any subsequent royalty payment, unless Lessor is in default on the obligation secured by such lien. Lessor consents to Lessee making contact with any such lienholder and to such lienholder disclosing the status of any such lien and the underlying obligation, and Lessor agrees to reasonably cooperate with Lessee to obtain such disclosure and a lien subordination from Lessor's lender(s). Upon request, Lessor shall disclose to Lessee contact information for any such lender and the loan number and other details to facilitate Lessee's dealings with such lender.

(p) While drilling operations are taking place on wells located within 1,000 feet of the Land, there will be lighting directed on the derrick and drill site area for safety reasons. Further, Lessee will take all reasonable precautions to avoid directing the lighting onto surrounding neighborhoods.

(q) Lessee shall not travel upon or use any heavy truck traffic on the inner-residential streets of Lessor's subdivision for any of Lessee's operations.

(r) **Most Favored Nation Status.** If within six months from the date of this Lease, the original Lessee, Marsh Operating Company ("Marsh"), enters into an oil and gas lease (the "Other Lease") with a resident and landowner covering land in the Parkway Central, Pikesview, Meadow Park, Rolling Hills Estates, Timbercreek, Vancouver Place and/or Colonnade subdivisions, being neighborhoods located within Arlington, Texas, providing for a per acre lease bonus or royalty in an amount greater than is provided for in this Lease, then Marsh shall pay to Lessor, as additional bonus for this Lease, an amount equal to the difference, on a per-acre basis, between the amount of lease bonus paid Lessor for this Lease and the greater amount paid per acre for the Other Lease, and amend this Lease to provide for Lessor to be paid the greater royalty interest provided for in the Other Lease. For the purposes of this provision, "bonus" shall be deemed to include any cash consideration paid to a lessor, however characterized, or any benefit provided that lessor by the lessee, and "royalty" shall be deemed to include any and all interests in production, however called or characterized in the Other Lease. This Section 17 (r) shall not be triggered by, and shall have no application to, leases in which Marsh is not the original lessee and in which Marsh acquires a minority interest (i.e., less than 50% of the Lessee's interest).

(s) **Depth Severance.** At the end of the primary term of this Lease or any extension thereof by other provisions contained herein, this Lease shall terminate as to all depths lying below one hundred feet (100') below the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with all or part of the Land.

(t) **Release.** Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering the Lands and thereby surrender this Lease and be relieved of all future obligations as to the Lands, with the exception of provisions 16 and 17(m) and any provisions which state they survive termination of the Lease.

(u) **Environmental Safeguards.** Lessee shall conduct its operations as a reasonable and prudent operator and shall conduct its operations utilizing reasonable and prudent safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under the Land or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Land or lands pooled therewith any asbestos containing materials, explosives (other than perforation equipment), toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et seq.) or toxic substances under any federal, state or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT SAID LAND OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OR CONTROL OF SAME. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT SAID LAND OR LANDS POOLED THEREWITH DURING LESSEE'S**

OCCUPANCY OF SAME IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT NOT LIMITED TO, LIABILITY FOR RESPECTIVE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LAND OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION FOR ANY REASON, OF THIS LEASE.

(v) The rights of Lessor under this Lease shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under Texas law, including, without limitation, V.T.C.A. NATURAL RESOURCES CODE §§ 91.401 through 91.405.

18. **Groundwater Protection.** Any oil or gas wells drilled by Lessee shall be drilled in compliance with the surface casing requirements imposed by the State of Texas for groundwater protection and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations in and under the Land.

19. **Visual Appearance.** Lessee shall maintain the well sites within 1,200 feet of the Land in a neat and orderly fashion. Lessee shall construct or improve necessary lease roads across drillsite tracts as all weather roads and shall maintain such roads in a good state of condition and repair in order to prevent excess dust and erosion and maintain the continuity of the surrounding environment. For safety and appearance, Lessee shall construct and install fencing and other decorative materials or vegetation around each wellsite and related facilities in a visually appealing manner, in an effort to maintain the continuity of the surrounding area, and shall maintain the fences in a good state of repair. Upon conclusion of Lessee's drilling and completion operations, Lessee shall restore that portion of the well site not being utilized by Lessee for producing operations as nearly as is reasonably practicable to its original state. In addition, Lessee shall maintain the well site in a manner whereby it shall be free of noxious vegetation and debris resulting from Lessee's operations. Upon lease expiration, Lessee shall remove all of Lessee's equipment and restore the surface of the ground as nearly as is reasonably practicable to its original state.

20. **Memorandum of Oil and Gas Lease.** Contemporaneously with the execution of this Lease, Lessor and Lessee have executed a Memorandum of Oil and Gas Lease, and Lessor and Lessee agree that such Memorandum of Oil and Gas Lease, which makes reference to this Lease, will be recorded in the appropriate records of the counties in which said Land is located in lieu of the recording of this Lease in its entirety. The recording of said Memorandum of Oil and Gas Lease shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this Lease was filed of record in its complete text.

Executed on the date first written above.

Lessor:

Leta Maye Carpenter

By: Leta Maye Carpenter

Lessor:

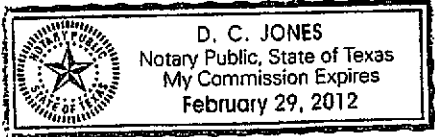
By: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

This instrument was acknowledged before me this 6th day of June, 2008, by

Leta Maye Carpenter, an individual(s) residing in Tarrant County, Texas.



[Signature]
Notary Public State of Texas

D C Jones
Printed Name of Notary Public

2-29-12
My Commission Expires:

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

This instrument was acknowledged before me this ____ day of _____, 2008, by

_____, an individual(s) residing in Tarrant County, Texas.

Notary Public State of Texas

Printed Name of Notary Public

My Commission Expires:

EXHIBIT "A"

Attached to and made a part of an Oil and Gas Lease dated May 1, 2008, by and between the above named Lessor and Marsh Operating Company, as Lessee.

Legal Description

.257 gross acre/s, more or less, described as Lot 24, Block 5A, Parkway Central Addition to the City of Arlington, Tarrant County, Texas more particularly described in that certain Deed dated April 16, 1973, by and between REI Arlington, Inc., as grantors, and James R Carpenter and wife, Leta M Carpenter, as grantees, and recorded in Volume 5474, Page 156, of the Deed Records of Tarrant County, Texas, hereinafter referred to as the "Lease Premises".